
Southwestern Public Service Company

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2008 Energy Efficiency Plan and Report

Substantive Rule § 25.181 and § 25.183

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Project No. 35440



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Introduction

Southwestern Public Service Company dba Xcel Energy (SPS) presents this Energy Efficiency Plan and Report (EEPR) to voluntarily comply with Substantive Rule §25.181 (the Energy Efficiency Rule or EE Rule). SPS is not directly affected by the EE Rule due to the delay of retail competition in the SPS service area. This EEPR covers the periods of time outlined in Substantive Rule §25.181 and provides the Commission and interested parties with information pertaining to our energy efficiency activities. The following paragraphs provide a description of the information contained in each of the subsequent sections and appendices.

Energy Efficiency Plan and Report (EEPR) Organization

This EEPR is separated into an Executive Summary and two main components: the Energy Efficiency Plan and the Energy Efficiency Report. Within the Energy Efficiency Plan:

- Section I describes SPS's program portfolio. It details how each program will be implemented, discusses related informational and outreach activities, and provides an introduction to the programs not included in SPS's previous EEP.
- Section II explains SPS's targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section III presents SPS's projected energy efficiency savings and goals for 2008 and 2009 broken out by program for each customer class.
- Section IV describes SPS's proposed energy efficiency budgets for 2008 and 2009 broken out by program for each customer class.

Within the Energy Efficiency Report:

- Section V documents SPS's actual weather-adjusted demand savings goals and energy targets for the previous five years (2003-2007).
- Section VI compares SPS's projected energy and demand savings to its reported and verified savings by program for calendar year 2007.
- Section VII details SPS's incentive and administration expenditures for the previous five years (2003-2007) broken out by program for each customer class.
- Section VIII compares SPS's budgeted and actual energy efficiency costs from 2007 broken out by program for each customer class. It also explains any cost increases or decreases of more than 10 percent for SPS's overall program budget.
- Section IX describes the results from SPS's Market Transformation (MTP) programs. It compares existing baselines and existing milestones with actual results, and details any updates to those baselines and milestones.

- Section X describes the Company's current Energy Efficiency Cost Recovery Factor (EECRF).

Appendices

- Appendix A – Reported kW and kWh Savings broken out by county for each program.
- Appendix B– Program templates for any new or newly-modified programs not included in SPS's previous EEP.

Executive Summary

Southwestern Public Service Company submits this Energy Efficiency Plan and Report to voluntarily comply with Substantive Rule §25.181. The Energy Efficiency Plan portion of this EEPR details SPS's efforts to achieve a 12% reduction in its annual growth in demand of residential and commercial customers by December 31, 2008, and another 12% reduction in its annual growth in demand of residential and commercial customers by December 31, 2009. The Plan also provides the corresponding energy savings goals, which are calculated from its demand savings goal using a 20% capacity factor. The goals, budgets and implementation plans included in this EEPR are highly influenced by the requirements of the EE Rule and lessons learned regarding energy efficiency service provider and customer participation in the various energy efficiency programs. A summary of annual goals and budgets is presented in Table 1 below.

Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter)¹

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal ²	Projected MW Savings ³	Projected MWh Savings ^{2,3}	Projected Budget (000's)
2008	31.69	12%	3.80	6,663	4.07	16,754	\$2,720
2009	31.69	12%	3.80	6,663	3.80	14,403	\$2,401

The Energy Efficiency Report portion of this EEPR demonstrates that in 2007 SPS achieved energy efficiency savings of 4,141 kW at the meter. SPS used Standard Offer Programs (SOP) to meet the Company's voluntary goal of a 5% reduction in demand growth through energy efficiency. These programs included Residential Standard Offer Programs (RES SOP) for single- and multi-family residences, the Small Commercial Standard Offer Program (Small Comm SOP), the Commercial and Industrial Standard Offer Program (C&I SOP), and Hard-To-Reach Standard Offer Programs (HTR SOP) for single- and multi-family residences. SPS

¹ Average Growth in Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All demand and energy savings in Table 1 and throughout this EEPR are given "at Meter".

² Calculated using a 20 percent capacity factor.

³ Peak demand reduction and energy savings for the current and following calendar year that SPS is planning and budgeting for in the EEPR. These projected savings reflect SPS's released funds for 2008 and voluntary goal for 2009.

also continued to sponsor a Low-Income Weatherization Program implemented by the Texas Department of Housing and Community Affairs (TDHCA).

Although the Company was able to achieve savings of 4,141 kW at the meter in 2007, SPS does not recommend equivalent or higher goals in 2008 and 2009 for the following reasons. First, SPS's 2007 savings were bolstered by one very large small commercial project, which provided over 1 MW of savings. Given that this project was atypical and unique, the Company does not expect similar projects in 2008 or 2009. Without this one large project, SPS's achievements would have been 3.1 MW for 2007. Therefore, a 3.8 MW goal for 2008 and 2009 would be a 23% increase over the 2007 adjusted savings. Second, with the change in the EE Rules to remove industrial customers from the energy efficiency calculations, SPS's project demand growth was reduced from 48 MW to 32 MW. This removal of industrial customers resulted in a significantly smaller demand growth from which to calculate savings goals. Thus, SPS does not believe that increasing the goal from the amount that was achieved last year would be prudent or achievable at this time.

It should also be noted that the projected savings for 2008 exceed the goal because the projected savings are calculated from actual funds that have already been released. The funds released were based on calculations of the goal made in 2007 with forecasted peak demand numbers that included industrial customers. In contrast, the 2009 projected savings and budget are set to match the goal and the expenditures expected to be needed to meet this goal. As a result, the budget is slightly lower in 2009.

Finally, SPS would like to stress that all projected savings reported in this document represent what the impacts would be expected to be from energy efficiency programs if all of the available funds are reserved and expended on efficiency projects. In recent years, SPS has not experienced full subscription in its commercial programs, and while it intends to shift funds so that they are put to the best use, it is not certain that all available funds will be expended. This would cause the actual savings to fall short of the projected amounts.

In order to reach the above projected savings, SPS proposes to implement the following Standard Offer and Market Transformation Programs:

- Commercial & Industrial SOP;
- Small Commercial SOP;
- Residential SOPs for single- and multi-family residences;
- Hard-To-Reach SOPs for single- and multi-family residences;
- AC Distributor MTP (in 2009); and a
- Statewide CFL (Compact Fluorescent Lamp) MTP.

SPS will also continue to sponsor a Low-Income Weatherization Program implemented by the TDHCA. These programs will ensure that all customer classes have access to energy efficiency opportunities. In addition, SPS, in conjunction with the other utilities, will implement the Energy Efficiency Potential Study for Texas, which it considers to be a pilot and/or research and development (R&D) projects.

Energy Efficiency Plan

PURA § 39.905 and Substantive Rule §25.181 establish peak demand reduction goals and program guidelines for many of the State's investor-owned electric utilities. Because competition has been delayed in the Panhandle by the Texas Legislature, SPS is not directly affected by the energy efficiency statute and rule. Historically, however, SPS has voluntarily complied with many of the aspects of the law and rule to ensure that its retail customers are offered the same energy efficiency services that are available to consumers in other areas of the State.

This EEPR reflects the Company's continued commitment to provide its customers with energy efficiency opportunities. SPS proposes to offer Standard Offer and Market Transformation Programs to the residential and commercial customer classes in an effort to meet the spirit of the EE Rule, if not the actual requirements. The Company has filed a good cause exception, accompanying its Energy Efficiency Cost Recovery Factor Rider application submitted June 2, 2008, to the requirement of SUBST. R. 25.181(a)(3), which requires the utility to meet the energy efficiency goals of at least 10% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2007; 15% by 2008; and 20% by 2009. The following Plan outlines SPS's goals and budgets to meet its modified goals in more detail.

I. 2008 Programs

A. 2008 Program Portfolio

SPS plans to implement six market transformation and standard offer programs. The Residential and Hard-To-Reach SOPs each have components for single-family and multi-family residences. While the single-family and multi-family components fall under the same program, incentive payments and savings are tracked and reported separately.

SPS's portfolio of programs targets both broad market segments and smaller market sub-segments that offer significant opportunities for cost-effective savings. SPS anticipates that

targeted outreach to a broad range of service provider types will be necessary in order to meet the savings goals that it has set. Table 2, below, summarizes the programs and target markets.

Table 2: Energy Efficiency Program Portfolio

Program	Target Market	Application
Commercial & Industrial SOP	Commercial & Industrial	Retrofit; New Construction
Small Commercial SOP	Small Commercial	Retrofit; New Construction
Residential SOP	Residential	Retrofit; New Construction
Hard-To-Reach SOP	Residential Hard-To-Reach	Retrofit; New Construction
TDHCA Low-Income Weatherization	Low-Income	Retrofit
New Program for 2008		
Statewide CFL MTP	Residential	Retrofit

The programs listed in Table 2 are described in further detail below. SPS maintains a website containing all of the parameters for project participation, the forms required for project submission, and the current available funding at <http://www.xcelefficiency.com/>. This website is the primary method of communication used to provide potential Project Sponsors with program updates and information. Additional information about the programs can be found in Appendix B, which includes program templates for the new program listed in Table 2.

In addition to the programs mentioned above, SPS made payments to, and accrued demand and energy savings from four additional third-party energy efficiency programs during 2007. A brief background of these four programs is provided here.

Pursuant to the settlement agreement in Docket No. 138272⁴, SPS conducted an all-source resource solicitation in 1996-97 to procure cost-effective demand-side resources. As a result of this solicitation, SPS entered into four third-party “pay for performance” contracts with three Energy Service Companies (ESCOs): Noresco, UCONS, and Planergy. The Planergy contract was subsequently acquired by and assigned to Conservation Services Group (CSG).

⁴ Docket No. 13827: *Application of Southwestern Public Service Company for Approval of Notice of Intent for a 203 MW Phillips Cogeneration Project and a 103 MW Combustion Turbine Project.*

These contracts range in duration from six to fourteen years. Also as a part of this settlement agreement, SPS contracted with the Texas Department of Housing and Community Affairs to provide energy efficiency assistance to low-income customers.⁵

B. Existing Programs

SPS will continue to offer the following pre-existing programs:

Commercial and Industrial Standard Offer Program

The C&I SOP targets Large Commercial customers with single-meter demand of more than 100 kW or aggregate meter demand of greater than 250 kW. Incentives are paid to project sponsors for certain measures installed in new or retrofit applications, which provide verifiable demand and energy savings.

Small Commercial Standard Offer Program

The Small Commercial SOP targets small commercial customers with a single-meter demand of less than or equal to 100 kW or less than 250 kW for the sum of commonly-owned meters. Incentives are paid to project sponsors for measures installed in new or retrofit applications that provide verifiable demand and energy savings.

Residential Standard Offer Program

The Residential SOP provides incentives to Residential customers for the retrofit installation of a wide range of measures that provide verifiable demand and energy savings.

Hard-To-Reach Standard Offer Program

Hard-To-Reach customers are defined by PUC Subst. R. §25.181 as customers with an annual household income at or below 200% of federal poverty guidelines. The Hard-To-Reach SOP provides incentives for the comprehensive retrofit installation of a wide range of measures that reduce demand and save energy. This includes certain measures with less than a 10-year life (i.e. CFLs).

⁵ The TDHCA program produces new installations each year. Savings are included in SPS's annual energy efficiency program results and counts toward the Company's energy efficiency goal.

C. New Programs for 2008

SPS will offer only one new program in 2008:

Statewide Residential CFL Pilot MTP

Program design

SPS will participate as one of the EUMMOT member utilities in the 2008 Statewide Residential Compact Fluorescent Lighting (CFL) Pilot MTP. The primary goal of this program is to produce reductions in electricity peak demand and energy usage through verifiable incremental sales of ENERGY STAR qualified CFLs throughout the service areas of the EUMMOT sponsor utilities. CFL sales will result from a combination of economic incentives and customer education intended to remove the market barriers that discourage the purchase of CFLs and help to permanently shift the Texas residential lighting market towards CFLs. The pre-existing high level of CFL sales and previous promotional efforts in Texas make it difficult for this program to claim credit for 100% of any documented increase in sales. Hence, prospective implementers were encouraged to devise innovative strategies for ensuring that the program produces additional incremental sales of CFLs and minimizes free-ridership in a cost-effective and verifiable manner. A detailed Program Description can be found in Appendix B.

Implementation process

The implementer will coordinate the CFL promotions with other promotional efforts, such as the ENERGY STAR “Change a Light” Program and the Texas mayors’ program, to increase the program’s reach as well as to help find ways to ensure that this program produces incremental sales distinct from these other efforts. They will also attempt to enlist the help of Retail Electric Providers in promotional and educational efforts.

Outreach and Research activities

SPS has contracted with Frontier Associates LLC to manage implementation of the program. In turn, ECOS Consulting will serve as the implementation contractor. The implementation contractor will conduct the following outreach activities:

- Promote the CFL program through various market intervention strategies, which will entail the use of point-of-purchase educational materials, advertising, and public and in-store special events, among other options.

- Enlist retailers, distributors, and/or manufacturers, and coordinate with the EPA's Change a Light Program, the mayors' challenge, other CFL campaigns, and Retail Electric Providers; explain educational activities and literature. CFL educational materials will inform customers of the benefits of CFLs over incandescent light bulbs and the proper applications of CFLs. Additional educational efforts will include information about energy efficiency measures covered by SPS's other Standard Offer and Market Transformation and Programs.
- Provide field representatives that visit the stores to ensure that the retailer has product and signage displayed and that the sales staff is aware and trained on the promotion information.
- Manage the delivery of all incentives for the program. Rebate coupons and/or sales data will be collected and processed by the implementer, and provided to SPS on a monthly basis. The implementer is also responsible for the delivery of all educational and promotional materials. SPS will not provide advertising.

D. General Implementation Plan

Program Implementation

SPS will conduct activities to implement energy efficiency programs in a non-discriminatory and cost effective manner. For 2008, SPS intends to implement programs using the following activity schedule:

- In the fourth quarter of 2007, SPS announced its 2008 energy efficiency program and opened its website application pages to assist EESPs to prepare project applications. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify.
- In December 2007, SPS allowed sponsors to submit applications, which were reviewed and accepted in the order of receipt.
- Throughout 2008, qualified EESPs will be offered contracts to implement projects. After contract execution, the EESP can begin implementation and reporting of measures. All projects must be completed and results reported to SPS before December 1 of the program year. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering

local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.

- Activity for 2009 will be similar.

Program Tracking

SPS uses an online database to record all program activity for its energy efficiency programs. The online database is accessible to project sponsors, implementers and administrators alike. All program data can be entered in real-time, capturing added customer information (class, location by county, utility account), installed measures (quantity, deemed or measured, serial numbers, and paid incentives), authorized incentives, inspection results (including adjustments), invoice requests, and payments. The database allows SPS to guard against duplicate incentive requests to SPS's programs.

Measurement and Verification

Many of the projects implemented under these programs will report demand and energy savings utilizing "deemed savings estimates" already approved by the PUCT. If deemed savings have not been approved for a particular installation, such savings will be reported using an approved measurement and verification approach.

The International Performance Measurement and Verification Protocol (IPMVP) will be used in the following situations:

- A PUCT-approved deemed savings estimate is not available for the energy efficiency measures included in an eligible project; or
- An EESP has elected to follow the protocol because it believes that measurement and verification activities will result in a more accurate estimate of the savings associated with the project than would application of the PUCT-approved deemed savings value.
- The IPMVP is voluminous and is not included with this plan.

E. Outreach and Research Activities

SPS anticipates that outreach to a broad range of EESP and market segments will be necessary in order to meet the savings goals required by PURA §39.905. SPS markets the availability of its programs in the following manner:

- Maintains <http://www.xcelefficiency.com/>. SPS's website will be the primary method of communication used to provide potential Project Sponsors with program updates and information. It contains detailed information regarding requirements for project participation, project eligibility, end-use measure eligibility, incentive levels, application procedures, and current available funding. All application forms required for project submission are available for download on the website.
- Offers separate outreach workshops for each SOP. SPS invites members of the air conditioner contractor community, weatherization service providers, lighting vendors, big box retailers, and national energy service companies to participate in the workshops. These workshops explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.
- As part of SPS's outreach efforts, SPS will also continue to coordinate with the National Association of Energy Service Companies (NAESCO) to notify all its members about SPS's Standard Offer Programs.
- Gauges EESP interest in online telephone broadcast of its workshops. If warranted, SPS will offer such workshops for each of its programs.
- Coordinates the timing of its various workshops so as to avoid overlapping schedules with other utilities. This will increase accessibility to EESPs who may work in several areas.
- Utilizes mass electronic mail (e-mail) notifications to keep potential project sponsors interested and informed.
- Attends appropriate industry-related meetings to generate awareness and interest.
- Participates in statewide outreach activities as may be available.

F. Existing DSM Contracts or Obligations

Additional energy efficiency services are made available to industrial, commercial, and residential customers through pay-for-performance programs implemented by third-party

Energy Efficiency Services Providers (EESP) selected from the 1995 all-source solicitation. This approach has enabled SPS to acquire additional energy efficiency resources without having to hire additional internal human resources. Generally, these programs were implemented under long-term contracts, in order to help ensure that the savings were maintained. Completed programs will not contribute additional or incremental peak demand reduction toward SPS's demand reduction goals for 2007, 2008 or 2009. SPS continues its contract with the TDHCA to operate a low-income weatherization program. The following paragraphs describe SPS's long-term contracts:

NORESCO Industrial Energy Conservation Program

Implemented through a third-party ESCO, this program provided energy efficiency services to large commercial and industrial customers. Efficiency measures included the replacement of existing lighting, WAC, refrigeration, and motors with higher efficiency equipment, the installation of equipment controls, process improvements, and load management strategies. Program implementation activities were completed in 2002.

Planergy/CSG's "Lighten Up" Program

This third-party DSM program provided efficiency services to commercial and industrial customers. The efficiency measures included the replacement of lighting, motors, WAC, and water heating equipment with higher-efficiency equipment, the installation of controls, and measures to improve the thermal efficiency of building envelopes. Program implementation activities were completed in 2001.

Planergy/CSG's "Bright Lights" Program

This third-party DSM program provided energy efficiency services to residential and small commercial customers. The efficiency measures included the removal and recycling of second refrigerators and the sale of compact fluorescent light bulbs for use as a replacement to incandescent bulbs. Program implementation activities were completed in 2001.

Low-income Program

This is a “piggy-back” program that supplements a program operated by the Texas Department of Housing and Community Affairs. The efficiency measures include the installation of compact fluorescent lamps in lieu of incandescent bulbs, weatherization measures, and the replacement of inefficient refrigerators with new high efficiency models. If customers have electric water heaters, water heater blankets and low-flow showerheads are installed. Program implementation activities are ongoing.

II. Customer Classes

SPS targets the Commercial, Residential, and Hard-To-Reach customer classes with its energy efficiency programs. The annual demand goal and the annual budgets are allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account Substantive Rule §25.181, which states that no less than 5% of the utility’s total demand goal should be achieved through programs for Hard-To-Reach customers. Table 3 summarizes the number of customers in each of the customer classes, which was used to determine budget allocations for those classes. Although these guidelines have been set, the actual distribution of the goal and budget must remain flexible based upon the response of the marketplace, the potential interest that a customer class may have toward a specific program, and the overriding objective of meeting the demand goal. SPS will offer a portfolio of Standard Offer and Market Transformation Programs that will be available to all customer classes.

Table 3: Summary of Customer Classes

Customer Class	Qualifications	Number of Customers
Commercial	<69 KV service voltage	53,164
Residential	Non-HTR Residential	147,313
Hard-To-Reach	HTR Income Requirements	70,929

III. Projected Energy Efficiency Savings and Goals

SPS’s voluntary demand goal was calculated similarly to the demand goal prescribed by Substantive Rule §25.181, i.e., as a percent of the historical five-year average growth in demand. For example, the December 31, 2008 goal reflects the average annual growth in peak demand from 2003 to 2007. The demand goal for 2008 is based on meeting 12% of the electric

utility's annual growth in demand of residential and commercial customers by December 31, 2008. The demand goal for 2009 is based on meeting 12% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2009. The corresponding energy savings goals are determined by applying a 20% capacity factor to the applicable demand goals. Table 4 presents historical annual growth in demand for the five-year period, 2003 through 2007 that is used to calculate demand and energy goals. Table 5 presents the projected demand and energy savings broken out by program for each customer class for 2008 and 2009. Projected savings for 2008 were determined from the funds already released by SPS and historical program performance. The expected cost per kW was calculated using the average load factor and incentive level from the 2007 projects and programs. From these values, the amount of peak demand that could be achieved at the cost level associated with the released funds was calculated and the load factor was used again to determine the expected energy savings. The projected savings for 2009 are simply an allocation of the voluntary demand goal among the programs to be offered. The budget was determined using the reverse process as was used for the projected savings in 2008.

Table 6 shows the projected savings to be realized in 2008 and 2009 as a result of third-party pay-for-performance programs. Any savings realized from these programs will be due to measures installed in previous years and will not be counted towards SPS's demand goal. However, SPS will make payments in 2008 and 2009 to the implementers for these savings.

Table 4: Annual Growth in Demand and Energy Consumption (at Meter)

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW) ⁶
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted
2002	1,948	1,944	1,484	1,480	11,881,234	11,969,500	7,539,640	7,627,905	NA	NA
2003	2,047	1,999	1,578	1,529	12,419,166	12,425,426	7,906,979	7,913,238	49	NA
2004	2,058	2,072	1,537	1,551	12,626,108	12,734,324	7,993,223	8,101,438	22	NA
2005	2,051	2,081	1,581	1,576	12,921,768	12,925,843	8,264,399	8,268,474	25	NA
2006	2,169	2,156	1,689	1,631	13,039,007	13,038,019	8,396,520	8,395,532	55	NA
2007	1,962	2,184	1,416	1,638	13,180,377	13,207,469	8,430,967	8,458,059	7	NA
2008	NA ⁷	NA	NA	NA	NA	NA	NA	NA	NA	32
2009	NA	NA	NA	NA	NA	NA	NA	NA	NA	32

⁶ Average historical growth in demand over the prior five years for residential and commercial customers adjusted for weather fluctuations.

⁷ “NA” = Not Applicable; Growth for 2002 over 2001 and average growth from 2002-2007 are not applicable to any of the calculations or goals in this EEPR. Energy efficiency goals are calculated based upon the actual historical weather-adjusted growth in demand for the five most recent years, so peak demand and energy consumption forecasts for 2008 and 2009 are not applicable.

Table 5: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

2008	Projected Savings	
Customer Class and Program	kW	kWh
Commercial	2,397	11,371,832
Commercial & Industrial SOP	1,833	8,782,523
Small Commercial SOP	565	2,589,310
Residential	1,338	4,563,341
Residential SOP	1,295	3,738,328
Statewide CFL MTP	43	825,013
Hard-To-Reach	337	819,057
Hard-To-Reach SOP	267	681,057
TDHCA	70	138,000
Total Annual Projected Savings	4,073	16,754,230
2009	Projected Savings	
Customer Class and Program	kW	kWh
Commercial	2,092	9,936,988
Commercial & Industrial SOP	1,673	8,018,853
Small Commercial SOP	418	1,918,135
Residential	1,445	3,777,333
Residential SOP	902	2,270,502
Statewide CFL MTP	43	825,013
AC Distributor MTP	500	681,818
Hard-To-Reach	266	688,952
Hard-To-Reach SOP	196	550,952
TDHCA	70	138,000
Total Annual Projected Savings	3,803	14,403,273

Table 6: Projected Demand and Energy Savings for Third-Party Programs

2008	Projected Savings	
Customer Class and Program	kW	kWh
Commercial		
NORESCO Texas	4,849	29,928,408
CSG Lighten Up	0	0
Total Annual Projected Savings	4,849	29,928,408
2009	Projected Savings	
Customer Class and Program	kW	kWh
Commercial		
NORESCO Texas	4,849	29,928,408
Total Annual Projected Savings	4,849	29,928,408

IV. Program Budgets

Table 7 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in Table 5. The budget allocations are defined by the overall projected demand and energy savings, the avoided costs of capacity and energy in Substantive Rule §25.181, allocation of demand goals among customer classes, the incentive levels by customer class, and historical program performance. The budget allocations presented in Table 7, below, are broken down by customer class, program, and budget category.

SPS added an additional budgeting “class” for R&D to account for R&D expenditures that are not affiliated with a specific customer class or program. SPS has committed to only two R&D projects as of the date of this filing: the Energy Efficiency Potential Study for Texas that is being managed by the PUCT, and the Measurement and Verification for the Statewide CFL MTP. Other possible R&D projects include a baseline study for the AC Distributor MTP, an update to the Texas Deemed Savings, the determination of deemed savings for homes with evaporative cooling, and other studies identifying barriers to participation in SPS’s service territory . No budgets for R&D projects have been determined. Any funds budgeted for R&D but not expended will be made available as incentives in one or more of SPS’s SOPs.

Table 8 shows the expected payments to be made in 2008 and 2009 to third-party contractors for the savings given in Table 6. The amount budgeted for the 2008 CSG Lighten Up program is an expected true-up payment to which no 2008 savings are attached. This contract expires in 2008.

Table 7: Proposed Annual Budget Broken Out by Program for Each Customer Class (\$000)

2008	Incentives	Admin	R&D	Total Budget
Commercial	\$1,032	\$115	\$0	\$1,147
Commercial & Industrial SOP	\$730	\$81	\$0	\$811
Small Commercial SOP	\$302	\$34	\$0	\$336
Residential	\$725	\$72	\$0	\$797
Residential SOP	\$650	\$72	\$0	\$722
Statewide CFL MTP	\$75	\$0	TBD	\$75
Hard-To-Reach	\$536	\$26	\$0	\$562
Hard-To-Reach SOP	\$236	\$26	\$0	\$262
TDHCA	\$300	\$0	\$0	\$300
Research and Development (R&D)	\$0	\$0	\$213	\$213
PUC Potential Study	\$0	\$0	TBD	TBD
Total Budgets by Category	\$2,293	\$213	\$213	\$2,720
2009	Incentives	Admin	R&D	Total Budget
Commercial	\$891	\$99	\$0	\$990
Commercial & Industrial SOP	\$667	\$74	\$0	\$741
Small Commercial SOP	\$224	\$25	\$0	\$249
Residential	\$662	\$65	\$0	\$728
Residential SOP	\$438	\$49	\$0	\$487
Statewide CFL MTP	\$75	\$0	TBD	\$75
AC Distributor MTP	\$149	\$17	\$0	\$166
Hard-To-Reach	\$480	\$20	\$0	\$500
Hard-To-Reach SOP	\$180	\$20	\$0	\$200
TDHCA	\$300	\$0	\$0	\$300
Research and Development	\$0	\$0	\$184	\$184
PUC Potential Study	\$0	\$0	TBD	TBD
Total Annual Budgets	\$2,033	\$184	\$184	\$2,401

Table 8: Proposed Budgets for Third-Party Programs (\$000)

2008	Projected Payments
Commercial	\$897
NORESCO Texas	\$797
CSG Lighten Up	\$100
Total 2008 Budget	\$897
2009	Projected Payments
Commercial	\$797
NORESCO Texas	\$797
Total 2009 Budget	\$797

Energy Efficiency Report

V. Historical Demand Savings Goals and Energy Targets for Previous Five Years (2003-2007)

Table 9 documents SPS's voluntary demand goals and energy targets for the previous five years (2003-2007).

Table 9: Historical Demand Savings Goals and Energy Targets (at Meter)

Calendar Year	Actual Weather Adjusted Demand Goal (MW) ⁸	Actual Weather Adjusted Energy Targets (MWh)
2007	3.064	9,592
2006	3.154	7,150
2005	2.335	10,569
2004	1.917	7,732
2003	1.756	6,513

VI. Projected, Reported, and Verified Demand and Energy Savings

This section documents SPS's projected, reported, and verified savings for program years 2006 and 2007. Table 10 shows the savings for Standard Offer Programs, Market Transformation Programs, and the TDHCA Weatherization program. Table 11 shows program savings information for the three third-party contracts that were in effect during the 2007 calendar year. The SOP and MTP programs differ from the third-party programs in that the SOP and MTP payments are made each year for savings realized in that year, whereas the third-party payments reflect the annual savings that were produced in 2007 by measures installed in previous years.

⁸ Actual weather-adjusted demand (MW) goals and energy (MWh) targets as reported in SPS's annual Energy Efficiency Plan (EEP) filed in April of each year under the following Project Nos. 33884 (2007), 32107 (2006), 30739 (2005), 29440 (2004) and 27541 (2003).

Table 10: Projected versus Reported and Verified Savings for 2007 and 2006 (at Meter)

2007	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	2.11	5,568	2.81	13,233
Commercial & Industrial SOP	1.53	3,222	1.68	8,060
Small Commercial SOP	0.58	2,346	1.13	5,173
Residential	0.60	2,422	1.04	2,831
Residential SOP	0.60	2,422	1.04	2,831
Hard-To-Reach	0.35	1,364	0.29	753
Hard-To-Reach SOP	0.35	1,364	0.22	615
TDHCA	NA	NA	0.07	138
Total Annual Savings Goals	3.06	9,355	4.14	16,818
2006	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	1.24	5,427	1.47	3,642
Commercial & Industrial SOP	1.24	5,427	1.36	3,504
Small Commercial SOP	see RES SOP	see RES SOP	0.11	138
Residential	1.11	3,939	0.97	1,508
Residential SOP	0.80	2,999	0.94	1,463
AC Distributor MTP	0.31	940	0.03	45
Hard-To-Reach	0.13	706	0.51	918
Hard-To-Reach SOP	0.13	706	0.51	918
TDHCA	NA	NA	NA	NA
Total Annual Savings Goals	2.48	10,072	2.95	6,068

Table 11: Projected versus Reported and Verified Savings for 2007 and 2006 Third-Party Programs (at Meter)

2007	Projected Savings¹¹		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	0.00	0	4.85	29,942
CSG Lighten Up Third-Party	0.00	0	0.00	0
Noresco Third-Party	0.00	0	4.85	29,942
Residential	0.00	0	0.00	0
CSG Bright Lights Third-Party	0.00	0	0.00	0
Total Annual Savings Goals	0.00	0	4.85	29,942
2006¹²	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	9.09	59,015	7.87	40,264
CSG Lighten Up Third-Party	2.09	10,210	2.39	7,276
Noresco Third-Party	7.00	48,805	5.48	32,988
Residential	0.00	6,888	0.00	441
CSG Bright Lights Third-Party	0.00	6,888	0.00	441
Total Annual Savings Goals	9.09	65,903	7.87	40,705

VII. Historical Program Expenditures

This section documents SPS's incentive and administration expenditures for the previous five years (2003-2007) broken out by program for each customer class. Table 12 shows expenditures for Standard Offer Programs, Market Transformation Programs, and the TDHCA Weatherization program. Table 13 shows expenditures for Third-Party Contract Programs. These expenditures reflect payments for incremental demand and energy savings that were realized in 2007, not for measures installed in 2007.

Table 12: Historical Program Incentive and Administrative Expenditures for 2003 through 2007 (\$000's)⁹

	2007		2006		2005		2004		2003	
	Incentive	Admin	Incentive	Admin	Incentive	Admin	Incentive	Admin	Incentive	Admin
Commercial	\$804	\$99	\$405	\$73	\$678	\$57	\$435	\$48	\$257	\$12
Commercial & Industrial SOP	\$670	\$83	\$365	\$67	\$563	\$52	\$435	\$48	\$257	\$12
Small Commercial SOP	\$134	\$17	\$39	\$5	\$115	\$6	see RES SOP	see RES SOP	see RES SOP	see RES SOP
Residential	\$514	\$63	\$376	\$68	\$674	\$20	\$0	\$0	\$0	\$0
Residential SOP	\$514	\$63	\$367	\$51	\$446	\$10	NA	NA	NA	NA
AC Distributor MTP	NA	NA	\$10	\$17	\$228	\$10	NA	NA	NA	NA
Hard-To-Reach	\$504	\$25	\$661	\$21	\$490	\$13	\$88	\$10	\$327	\$19
Hard-To-Reach SOP	\$204	\$25	\$361	\$21	\$190	\$13	\$88	\$10	\$109	\$19
TDHCA	\$300	\$0	\$300	\$0	\$300	\$0	NA	NA	\$218	NA
Total Annual Expenditures	\$1,821	\$187	\$1,442	\$161	\$1,841	\$90	\$523	\$58	\$584	\$32

⁹ 2007 expenditures taken from Table 10 in the current EEP; 2006 budget from Energy Efficiency Report (EER) filed under Project No. 33884; 2005 budget from EER, Project No. 32107; 2004 budget from EER, Project No. 30739; 2003 budget from EER, Project No. 29440.

Table 13: Historical Third-Party Program Incentive and Administrative Expenditures for 2003 through 2007 (\$000's)

Program	2007		2006		2005		2004		2003	
	Incentive	Admin	Incentive	Admin	Incentive	Admin	Incentive	Admin	Incentive	Admin
Commercial	\$604	\$20	\$706	\$17	\$871	\$4	\$980	\$12	\$1,309	\$8
CSG Lighten Up	\$0	\$6 ¹⁰	\$0	\$17	\$144	\$4	\$199	\$12	\$282	\$8
Noresco	\$604	\$14	\$706	\$0	\$726	\$0	\$781	\$0	\$1,026	\$0
Residential	\$0	\$0	\$0	\$0	\$446	\$1	\$0	\$0	\$0	\$0
UCONS	NA	NA	NA	NA	\$446	\$0	NA	NA	NA	NA
CSG Bright Lights	\$0	\$0	\$0	\$0	\$0	\$1	NA	NA	NA	NA
Total Annual Expenditures	\$604	\$20	\$706	\$17	\$1,317	\$5	\$980	\$12	\$1,309	\$8

¹⁰ Funds for Measurement and Verification Study.

VIII. Program Costs for Calendar Year 2007

As shown in Table 14, SPS spent a total of \$1,990,000 on all of its energy efficiency programs in 2007. This is a 24% increase over the \$1,603,000 spent in 2006. The total forecasted budget for 2007 was \$2,269,000 and actual expenditures were \$1,990,000, an overall decrease of 12.3%. This decrease is a result of undersubscribed Commercial Standard Offer Programs. Some individual program costs differ from budgeted amounts by more than 10% due not only to under-subscription, but also the shifting of incentives from one program to another.

Table 14: Program Costs for Calendar Year 2007 (Dollar amounts in 000's)

	Total Projected Budget ¹¹	Numbers of Customers Participating	Actual Incentive Funds Expended	Actual Admin Funds Expended	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining (Not Committed)
Commercial & Industrial	\$1,212	45	\$804	\$99	\$903	\$60	\$140
Commercial & Industrial SOP	\$821	28	\$670	\$83	\$753	\$60	\$14
Small Commercial SOP	\$391	17	\$134	\$17	\$150	\$0	\$126
Residential	\$522	1,430	\$514	\$63	\$577	\$3	\$43
Residential SOP	\$522	1,430	\$514	\$63	\$577	\$3	\$43
Hard-To-Reach	\$535	473	\$504	\$25	\$529	\$0	\$12
Hard-To-Reach SOP	\$235	363	\$204	\$25	\$229	\$0	\$12
TDHCA	\$300	110	\$300	\$0	\$300	\$0	\$0
Total Annual Expenditures	\$2,269	1,948	\$1,821	\$187	\$2,008	\$63	\$195

¹¹ Projected Budget from the Energy Efficiency Plan (EEP) filed in April 2007 under Project No. 33884.

IX. Market Transformation Program Results

No Market Transformation Programs were a part of SPS's energy efficiency program portfolio in 2007.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

SPS will apply for its first Energy Efficiency Cost Recovery Factor (EECRF) rate schedule in June 2008, and anticipates that it will take effect in January 2009.

Revenue Collected

Not Applicable

Over- or Under-recovery

Not Applicable

Acronyms

C&I	Commercial and Industrial
DSM	Demand-Side Management
EECRF	Energy Efficiency Cost Recovery Factor
EEP	Energy Efficiency Plan, which was filed as a separate document prior to April 2008
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report, which was filed as a separate document prior to April 2008
EE Rule	Energy Efficiency Rule, PUCT Substantive Rules § 25.181 and § 25.183
EESP	Energy Efficiency Service Provider
ERCOT	Electric Reliability Council of Texas
HTR	Hard-To-Reach
IPMVP	International Performance Measurement and Verification Protocol
M&V	Measurement and Verification
MTP	Market Transformation Program
NAESCO	National Association of Energy Service Companies
PUCT	Public Utility Commission of Texas
REP	Retail Electrical Provider
RES	Residential
SOP	Standard Offer Program
SPS	Southwestern Public Service Company, a New Mexico Corporation

Glossary

Actual Weather Adjusted -- “Actual Weather Adjusted” peak demand and energy consumption is the historical peak demand and energy consumption adjusted for weather fluctuations using weather data for the most recent ten years.

At Meter – Demand (kW/MW) and Energy (kWh/MWh) figures reported throughout the EEPR are reflective of impacts at the customer meter. This is the original format of the measured and deemed impacts that the utilities collect for their energy efficiency programs. Goals are necessarily calculated “at source” (generator) using utility system peak data at the transmission level. In order to accurately compare program impacts, goals and projected savings have been adjusted for the line losses (7%) that one would expect going from the source to the meter.

Average Growth -- Average historical growth in demand (kW) over the prior five years for residential and commercial customers adjusted for weather fluctuations.

Capacity Factor -- The ratio of the annual energy savings goal in kWh to the peak demand goal for the year, measured in kW, multiplied by the number of hours in the year or the ratio of the actual annual energy savings in kWh, to the actual peak demand reduction for the year, measured in kW, multiplied by the number of hours in the year.

Commercial customer -- A non-residential customer taking service at a metered point of delivery at a distribution voltage under an electric utility’s tariff during the prior calendar year and a non-

profit customer or government entity, including an educational institution. For purposes of this section, each metered point of delivery shall be considered a separate customer.

Deemed savings -- A pre-determined, validated estimate of energy and peak demand savings attributable to an energy efficiency measure in a particular type of application that an electric utility may use instead of energy and peak demand savings determined through measurement and verification activities.

Demand -- The rate at which electric energy is used at a given instant, or averaged over a designated period, usually expressed in kilowatts (kW) or megawatts (MW).

Demand savings -- A quantifiable reduction in demand.

Energy efficiency -- Improvements in the use of electricity that are achieved through facility or equipment improvements, devices, or processes that produce reductions in demand or energy consumption with the same or higher level of end-use service and that do not materially degrade existing levels of comfort, convenience, and productivity.

Energy efficiency measures -- Equipment, materials, and practices at a customer's site that result in a reduction in electric energy consumption, measured in kilowatt-hours (kWh), or peak demand, measured in kilowatts (kW), or both. These measures may include thermal energy storage and removal of an inefficient appliance so long as the customer need satisfied by the appliance is still met.

Energy efficiency program -- The aggregate of the energy efficiency activities carried out by an electric utility under this section or a set of energy efficiency projects carried out by an electric utility under the same name and operating rules.

Energy Efficiency Rule (EE Rule) -- § 25.181 and § 25.183, which are the sections of the Public Utility Commission of Texas' Substantive Rules implementing Public Utility Regulatory Act (PURA) § 39.905.

Energy savings -- A quantifiable reduction in a customer's consumption of energy that is attributable to energy efficiency measures.

Growth in demand -- The annual increase in demand in the Texas portion of an electric utility's service area at time of peak demand, as measured in accordance with the Energy Efficiency Rule.

Hard-To-Reach (HTR) customers -- Residential customers with an annual household income at or below 200% of the federal poverty guidelines.

Incentive payment -- Payment made by a utility to an energy efficiency service provider under an energy-efficiency program.

Inspection -- Examination of a project to verify that an energy efficiency measure has been installed, is capable of performing its intended function, and is producing an energy savings or demand reduction.

Load control -- Activities that place the operation of electricity-consuming equipment under the control or dispatch of an energy efficiency service provider, an independent system operator or other transmission organization or that are controlled by the customer, with the objective of producing energy or demand savings.

Load management -- Load control activities that result in a reduction in peak demand on an electric utility system or a shifting of energy usage from a peak to an off-peak period or from high-price periods to lower price periods.

Market transformation program (MTP) -- Strategic programs to induce lasting structural or behavioral changes in the market that result in increased adoption of energy efficient technologies, services, and practices, as described in this section.

Measurement and verification (M&V) -- Activities intended to determine the actual energy and demand savings resulting from energy efficiency projects as described in this section.

Peak demand -- Electrical demand at the times of highest annual demand on the utility's system.

Peak demand reduction -- Reduction in demand on the utility system throughout the utility system's peak period.

Peak period -- For the purpose of this section, the peak period consists of the hours from one p.m. to seven p.m., during the months of June, July, August, and September, excluding weekends and Federal holidays.

Projected Demand and Energy Savings – Peak demand reduction and energy savings for the current and following calendar year that SPS is planning and budgeting for in the EEPR. These projected savings reflect SPS’s modified goals in the spirit of the Energy Efficiency Rule (Substantive Rule § 25.181).

Project sponsor -- An energy efficiency service provider or customer who installs energy efficiency measures or performs other energy efficiency services under the Energy Efficiency Rule. An energy efficiency service provider may be a retail electric provider or commercial customer, provided that the commercial customer has a peak load equal to or greater than 50kW.

Renewable demand-side management (DSM) technologies -- Equipment that uses a renewable energy resource (renewable resource), as defined in §25.173(c) of this title (relating to Goal for Renewable Energy) that, when installed at a customer site, reduces the customer's net purchases of energy, demand, or both.

Standard offer program (SOP) -- A program under which a utility administers standard offer contracts between the utility and energy efficiency service providers.

Appendices

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY

Table 15: 2007 Program Savings by County

Large Commercial & Industrial SOP

County	# of Customers	Reported Savings	
		kW	kWh
Dallam	1	303.57	2068286.54
Gray	2	49.29	227634.79
Hockley	1	111	449178
Hutchinson	1	16.37	36140.45
Lubbock	1	6.62	15981.38
Potter	14	1023.68	4621386.74
Randall	5	171.48	641701.51
Large C&I SOP Total	25	1,682.0	8,060,309

Small Commercial SOP

County	# of Customers	Reported Savings	
		kW	kWh
Lubbock	7	78.1	288,209
Potter	7	1,021.0	4,771,592
Randall	4	29.2	113,067
RSC Small Commercial	18	1,128.2	5,172,867

Residential Single-Family: Residential SOP

County	# of Customers	Reported Savings	
		kW	kWh
Armstrong	12	6.9	19,061
Carson	50	24.3	35,249
Dallam	4	2.2	1,858
Deaf Smith	7	5.6	7,006
Gray	1	1.1	4,549
Hutchinson	6	3.4	6,942
Moore	18	11.3	29,854
Oldham	6	3.9	3,344
Potter	441	233.5	402,868
Randall	878	500.6	985,860
Sherman	19	12.4	34,647
RES Single-Family	1,442	805.1	1,531,238

Residential Multi-Family: Residential SOP

County	# of Customers	Reported Savings	
		kW	kWh
Crosby	45	9.5	71,960
Hale	98	25.2	156,767
Hockley	110	33.6	26,893
Moore	164	44.6	207,641
Potter	148	57.2	427,103

Randall	218	62.1	409,840
RES Multi-Family	783	232.3	1,300,204

RES Total	2,225	1,037.4	2,831,442
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Hard-to-Reach Single-Family SOP

County	# of Customers	Reported Savings	
		kW	kWh
Armstrong	3	1.4	3,039
Carson	16	6.3	5,802
Deaf Smith	2	1.4	1,204
Hutchinson	2	0.8	608
Moore	9	3.7	5,202
Parmer	13	7.3	13,975
Potter	146	67.6	106,667
Randall	156	72.4	111,546
Sherman	18	5.9	9,807
HTR Single-Family	365	166.7	257,850

Hard-to-Reach Multi-Family SOP

County	# of Customers	Reported Savings	
		kW	kWh
Moore	172	31.5	168,740
Potter	140	26.4	188,245
HTR Multi-Family	312	57.9	356,985

HTR Total	677	224.6	614,835
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TDHCA Low-Income Weatherization¹²

County	# of Customers	Reported Savings	
		kW	kWh
Caprock Community Action	18	10.4	22,996
Panhandle Community Services	70	43.8	85,472
South Plains Community Action	11	6.9	16,855
West Texas Opportunities	4	2.5	8,714
Lubbock, City of	7	5.2	4,323
TDHCA Total	110	69	138,360

¹² TDHCA did not report savings by county, but by organization.

APPENDIX B: PROGRAM TEMPLATES

Statewide Residential CFL Pilot MTP

SPS will participate as one of the EUMMOT member utilities in the 2008 Statewide Residential Compact Fluorescent Lighting (CFL) Pilot MTP. The primary goal of this program is to produce reductions in electricity peak demand and energy usage through verifiable incremental sales of ENERGY STAR qualified CFLs throughout the service areas of the EUMMOT sponsor utilities. CFL sales will result from a combination of economic incentives and customer education intended to remove the market barriers that discourage the purchase of CFLs and help to permanently shift the Texas residential lighting market towards CFLs. The pre-existing high levels of CFL sales and previous promotional efforts in Texas make it difficult for this program to claim credit for 100% of documented increases in sales. Hence, prospective implementers were encouraged to devise innovative strategies for ensuring that the program produces additional incremental sales of CFLs and minimizes free-ridership in a cost-effective and verifiable manner.

The implementer will coordinate the CFL promotions with other promotional efforts, such as the ENERGY STAR “Change a Light” campaign and the Texas mayors’ program, to increase the program’s reach, as well as to help find ways to ensure that this program produces incremental sales distinct from these other efforts. They will also attempt to enlist the help of Retail Electric Providers in promotional and educational efforts.

As a safeguard against free-ridership, the program has the additional objective of increasing participation in the EUMMOT sponsor utilities’ other energy efficiency programs. The design of marketing and outreach activities will include an educational component aimed not only towards permanently shifting the residential lighting market in Texas towards CFLs, but also towards increasing residential customer awareness of all energy efficiency measures and the associated utility programs. Every customer that takes advantage of another utility program as a result of the information provided through the CFL program improves the program’s cost-effectiveness and effectively lowers free-ridership.

To review, the objectives of the CFL program are as follows:

- Motivate and help residential customers to replace incandescent lights with CFLs;

- To educate the consumer regarding the benefits of CFLs vs. incandescent lights and to create a no-regret decision for the residential customer through incentives/discounts that make the purchase of a CFL at parity with that of an incandescent bulb;
- Produce utility electricity savings through incremental sales of CFLs;
- Deliver additional efficiency messages through a coordinated CFL educational program;
- Expand customer awareness of the benefits of energy efficiency and direct them to participating vendors;
- Co-brand with willing “partners”, such as ENERGY STAR;
- Offer “no-regret” partnership options; and
- Engage municipal utilities and electric cooperatives in the statewide effort to expand program reach and effectiveness.

Target Audience

The 2008 Statewide Residential CFL Pilot MTP will target owners and renters of single-family homes, town-homes, and multi-family units such as apartments and condominiums residing in the sponsor utilities Texas service areas. SPS’s CFL Pilot Program will target only those residential customers who live in SPS’s service area.

Non-Utility Sponsors/Participants

The 2008 Statewide Residential CFL Pilot MTP will utilize a third-party implementer with a proven track record, appropriate licenses, certifications and affiliations to meet Federal and local laws in the distribution and possibility of proper recycling and disposal of exhausted CFLs. The implementer will be encouraged to involve a wide range of state-wide and local community-based retailers and organizations that have the ability to create a call to action in addition to educating homeowners about the benefits and lower operating costs of CFLs.

Energy Savings

The estimated energy savings to be achieved by the 2008 CFL Program is 1.99 MW of peak load reduction and 37,750,000 kWh annual energy use reduction throughout the EUMMOT utilities’ service areas. SPS’s service area is expected to contribute 43 kW of peak load reduction and 825,000 kWh annual energy use reduction through participation in this CFL

Program. The goal of this program is to produce savings in the SPS service area related to SPS's contribution to the overall program budget.

Program Design

The implementer will promote the CFL program through various market intervention strategies, which will entail the use of point-of-purchase educational materials, advertising, and public and in-store special events, among other options. The implementer must obtain sponsor approval for all promotional materials prior to their release. The implementer will have the option of using several methods that include:

- instant rebates and mail-in coupons that require participating customers to provide his/her name and electric service billing address in order for the incentive to be applied, thereby allowing of the utility to obtain useful participation data; and
- markdowns in which discounted bulbs are available at select stores in the service areas of the sponsors.

The implementer will partner with retailers, distributors, and/or manufacturers, and coordinate with the EPA's Change a Light Program, the mayors' challenge, other CFL campaigns, and Retail Electric Providers in order to provide a seamless and comprehensive program. The implementer will also use CFL educational materials to inform customers about the benefits of CFLs over incandescent light bulbs and the most appropriate applications for CFLs. Additional educational efforts will include information about energy efficiency measures covered by SPS's other market transformation and standard offer programs.

The implementer will provide field representatives who visit the stores to ensure that the retailer has product and signage displayed and that the sales staff is aware of and trained on the promotion information.

The implementer will manage the delivery of all incentives for the program. Rebate coupons and/or sales data will be collected and processed by the implementer, who will pass on relevant information to SPS on a monthly basis. The implementer is also responsible for the delivery of all educational and promotional materials. SPS will not provide advertising.

Research Plan

The implementer will track CFL sales in order to prove that the sales are incremental and to ensure that they are distributed proportionally (with respect to budget) throughout SPS's service area.

The implementer will provide regular sales reports to inform sponsors of the status of the sales. The implementer will notify SPS one week in advance if sales are expected to exceed the designated amount. SPS is only obligated to provide funding for the designated sales estimate but may choose to increase the designated sales amount to accommodate the demand. The implementer will regularly provide SPS with information that facilitates the following:

- Determining the program impacts, including energy savings (kWh) and demand reduction (kW), and program value to customers;
- Assessment of the program's cost-effectiveness based on various economic tests;
- Assessment of the effectiveness of program delivery mechanisms; and
- Assessment and determination of free-ridership issues.

Ideally, this information would include the number of each type of bulb sold, the location of the sales, and the installation rates of the bulbs, the types of bulbs being replaced, and a percentage of purchases that can be attributed to the program. A breakdown of the sales by income level would allow the utilities to determine participation and savings by low-income and hard-to-reach customers. Much of this data will be collected through a surveying process.

In addition, the implementer and/or third-party evaluators will perform an annual evaluation in the fourth quarter of 2008 or by the first quarter of 2009 to determine the number of incremental sales in the SPS service area and thoroughly demonstrate that the sales were indeed incremental. It is crucial that SPS be able to claim accurate demand reduction and energy savings resulting from this program.

The implementer will document any negative consumer attitudes towards the program, will evaluate program design and delivery, and develop strategies to overcome any negative perceptions of the program.

Program Budget

The overall CFL Program Budget for 2008 is \$3,431,000. SPS's 2008 CFL Program Budget portion is \$75,000. These budget dollars have been allocated in combination with other EUMMOT utilities contributing to the Program.

Program Timeline

The 2008 Statewide Residential CFL Pilot MTP will begin in the second quarter of 2008 and will continue through the end of 2008. Contingent upon the results of the 2008 pilot evaluation, the program will likely be extended into 2009. If it is extended, the first quarter of the 2009 program year will focus on finalizing program details and refining the implementation process. The second through fourth quarters will consist of program implementation and the gathering of data for analysis. The final analysis of the pilot will be completed in December 2009; a final program summary report will be submitted to EUMMOT and the member utilities.

Impact on Other Programs

This pilot will not directly affect any of SPS's other energy efficiency programs, but could cause some minor impacts to the Low-Income Weatherization Program SOP since CFLs are an eligible measure in both programs. Additionally, all educational efforts will include information about SPS's other energy efficiency standard offer and market transformation programs.